

Message Text

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C O N F I D E N T I A L PEKING 00476

E.O. 11652: GDS

TAGS: ETRD EIND CH US

SUBJ: FERROUS SCRAP EXPORTS TO PRC

REF: A) PEKING 0419 B) STATE 052055

SUMMARY: USLO OFFICERS CALLED ON MINMETALS MARCH 20 TO PROVIDE NOTIFICATION OF USG DECISION TO ALLOCATE 40,000 TONS OF STEEL SCRAP FOR CHINA FROM THE FIRST QUARTER CONTINGENCY RESERVE UNDER THE PRESENT EXPORT CONTROL PROGRAM. MINMETALS IMPORT MANAGER FANG HSIN-MIN UNDERSTOOD THE PRESENTATION, BUT INSISTED THAT HIS CORPORATION'S PRINCIPAL CONCERN WAS TO OBTAIN DELIVERY OF OVER 500,000 TONS OF UNDELIVERED US SCRAP FOR WHICH CONTRACTS ARE STILL OUTSTANDING. WE BELIEVE THIS MAY HAVE BEEN AN EFFORT TO RESPOND TO OUR REQUESTS FOR INFORMATION ON PRC STEEL SCRAP REQUIREMENTS. END SUMMARY.

1. USLO OFFICERS HOROWITZ AND ROPE CALLED ON FANG HSIN-MIN, IMPORT MANAGER OF THE CHINA NATIONAL METALS AND MINERALS IMPORT AND EXPORT CORPORATION (MINMETALS) ON MARCH 20. PRIMARY PURPOSE OF CALL WAS TO INFORM FANG OF THE FIRST QUARTER STEEL SCRAP CONTINGENCY RESERVE ALLOCATION FOR CHINA (REF B).

2. HOROWITZ BRIEFLY REVIEWED THE US EXPORT CONTROL SYSTEM FOR STEEL SCRAP, WHICH HE HAD DESCRIBED TO FANG IN DETAIL

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ON MARCH 12 (REFTEL A). HE INFORMED FANG OF THE DECISION TO

ALLOCATE 40,000 TONS OF THE FIRST QUARTER CONTINGENCY RESERVE TO CHINA AND NOTED THAT THIS IS IN ADDITION TO CHINA'S BASIC ALLOCATION OF 9,310 TONS. HE EXPLAINED IN DETAIL THAT ONLY THOSE US EXPORTERS WHICH SHIPPED SCRAP TO CHINA IN THE BASE PERIOD PRIOR TO JULY 1, 1973 ARE ELIGIBLE TO OBTAIN LICENSES UNDER THE FIRST QUARTER ALLOCATIONS, AND THAT THE QUANTITIES EACH EXPORTER COULD SHIP WOULD BE PROPORTIONAL TO ITS SHARE OF TOTAL US SCRAP EXPORTS TO CHINA DURING THE BASE PERIOD.

3. HOROWITZ STRESSED THAT THE ELIGIBLE EXPORTERS MUST APPLY FOR LICENSES NO LATER THAN MARCH 29 AND THAT IN ORDER TO APPLY THEY MUST HAVE IN HAND EXPORT ORDERS OR CONTRACTS. HE MADE CLEAR THAT IN ORDER TO TAKE ADVANTAGE OF THE FIRST QUARTER ALLOCATIONS, IT WOULD BE NECESSARY FOR MINMETALS TO BE IN CONTACT WITH THE ELIGIBLE EXPORTERS ALMOST IMMEDIATELY, IF SUCH CONTACTS HAVE NOT ALREADY ESTABLISHED. HE EXPLAINED THAT LICENSES WOULD BE VALID FOR NINETY DAYS AND THAT ANY UNUSED PORTION OF THE FIRST QUARTER ALLOCATIONS COULD NOT BE CARRIED INTO THE SECOND QUARTER.

4. FINALLY, HOROWITZ INFORMED FANG, AS HE HAD ALREADY DONE BY LETTER ON MARCH 14, THAT THE SECOND QUARTER BASIC ALLOCATIONS FOR EACH COUNTRY WILL BE ABOUT THE SAME AS FOR THE FIRST QUARTER, BUT THAT THE CONTINGENCY RESERVE WOULD BE INCREASED TO 200,000 TONS. HE INDICATED THAT IN CONSIDERING ANY ALLOCATIONS FROM THE SECOND QUARTER CONTINGENCY RESERVE, THE USG WOULD NEED TO HAVE INFORMATION CONCERNING SCRAP IMPORT REQUIREMENTS OF COUNTRIES, SUCH AS CHINA, WHICH MAY WISH TO BE CONSIDERED.

5. FANG RESPONDED BY THANKING THE USLO OFFICERS FOR THEIR EFFORTS IN THIS MATTER. "YOU KNOW FROM OUR PAST CONVERSATION," HE SAID, "THAT OUR ONLY DEMAND IS TO GET THE EXPORTERS WITH WHOM WE HAVE CONTRACTS TO EXECUTE THOSE CONTRACTS." HE THEN PROVIDED A LIST OF THOSE COMPANIES WITH WHICH MINMENTALS HAS OUTSTANDING CONTRACTS AND GAVE FIGURES FOR THE AMOUNT OF UNDELIVERED SCRAP: SCHIAVONE-CHASE, 200,000 TONS; LURIA BROTHER, 100,000
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TONS; ANDRE AND COMPANY, 90,000 TONS; GENERAL METALS EXPORT COMPANY, 18,000 TONS; SOUTHERN SCRAP MATERIAL COMPANY, 40,000 TONS; HUGO NEU AND SONS INTERNATIONAL SALES COMPANY, 60,000 TONS. HE STRESSED THE IMPORTANCE MINMETALS ATTACHES TO HAVING THESE DELIVERIES FULFILLED AND ASKED USLO'S HELP IN GETTING THE FIRMS TO HONOR THEIR CONTRACTS.

6. IN A FURTHER LENGHTY DISCUSSION, HOROWITZ REVIEWED ALL ASPECTS OF US EXPORT CONTROLS ON SCRAP, MAKING IT CLEAR THAT FAILURE OF THE ABOVE COMPANIES TO DELIVER IS PROBABLY DUE TO SUCH CONTROLS, AND STRESSING THAT ONLY ELIGIBLE EXPORTERS CAN OBTAIN LICENSES FOR SHIPMENTS UNDER FIRST QUARTER ALLOCATIONS. IN HIS COMMENTS, FANG WOULD ONLY REITERATE MINMETALS REQUEST FOR HELP IN OBTAINING DELIVERIES UNDER THE CONTRACTS CITED ABOVE. THE MEETING WAS CORDIAL THROUGHOUT, AND ENDED AMICABLY.

7. COMMENT: ALTHOUGH FANG AGAIN TOOK THE "CONTRACT IS A CONTRACT" APPROACH TO OUR DISCUSSION, THERE IS LITTLE DOUBT IN OUR MINDS THAT HE AND HIS ASSISTANTS FULLY UNDERSTAND THE CURRENT EXPORT CONTROL SYSTEM AND WHAT IT REQUIRES OF MINMETALS AND ELIGIBLE US EXPORTERS. WE INTERPRET FANG'S LISTING OF THE AMOUNTS OF SCRAP STILL UNDELIVERED UNDER EXISTING CONTRACTS -- A TOTAL WHICH EXCEEDS 500,000 TONS -- AS AN ATTEMPT TO RESPOND TO OUR STATEMENT THAT THE USG NEEDS INFORMATION ON PRC REQUIREMENTS IN CONSIDERING POSSIBLE FUTURE ALLOCATIONS FROM THE CONTINGENCY RESERVE.

JENKINS

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